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Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **SHERIFF'S DEPARTMENT – BUDGET PERFORMANCE
AND SALARY SAVINGS**

At the request of the Third District, we reviewed the Sheriff's Department's (Sheriff) budgetary performance. Our review covered the 1993-94 through the 2001-02 fiscal years. In addition, we evaluated the accuracy of the Sheriff's annual budget by analyzing the budget vs. actual performance of the Salaries & Employee Benefits and the Services & Supplies expenditures during this same period. Finally, we analyzed the salary savings component of the Sheriff's budget.

Our study consisted of compiling pertinent Sheriff budget and actual performance data and discussing material variances with Sheriff and Chief Administrative Office (CAO) management.

Findings

Budgetary Performance

Attachment I displays the budgeted vs. actual expenditure performance for the Sheriff's Department for fiscal years 1993-94 through 2001-02. For six fiscal years during this period, 1993-94 through 1996-97, 1998-99, and 1999-2000, the Sheriff's Department had a budgetary surplus. For fiscal years 1997-98 and 2000-01, the Sheriff ended the fiscal year with a budgetary deficit. The Sheriff is also projecting a deficit for fiscal year 2001-02.

Budget Accuracy

We noted that the component parts of the Sheriff's budget are not accurate estimates of actual expected results. The Sheriff's Department has consistently over-spent its Salaries & Employee Benefits (S&EB) budget and under-spent its Services & Supplies (S&S) budget by significant amounts.

In our April 15, 1997 fiscal audit, we reported the Sheriff over-spent its S&EB budget for two of three years reviewed and under-spent its S&S budget for all three years.

	S&EB OVER/<UNDER> BUDGET	S&S <UNDER> BUDGET
1993-94	\$ <0.3 million>	\$ <14 million>
1994-95	4.0 million	<25 million>
1995-96	6.3 million	<16 million>

We recommended that the Sheriff and CAO re-evaluate the individual components of the Department's budget to ensure that individually they represent the best estimate of expected results based upon past experience and current operating trends. However, it appears this recommendation was not implemented. Our review of the Sheriff's expenditures for the six years since our original report indicates that the Sheriff continued to over-spend its S&EB budget for five of the six years, and under-spend its S&S budget for all six years, and that the amount of the variances has grown significantly as shown below.

	S&EB OVER/<UNDER> BUDGET	S&S <UNDER> BUDGET
1996-97	\$ <16 million>	\$ <14 million>
1997-98	5 million	<13 million>
1998-99	9 million	<19 million>
1999-00	28 million	<20 million>
2000-01	85 million	<22 million>
2001-02 (projected)	55 million	<40 million>

From our analysis, we determined that the Sheriff's Department budget is essentially a "bottom line" budget that is adjusted annually. Because this bottom line approach provides little meaningful budget detail, the Sheriff cannot effectively manage its budget by controlling its spending to the component parts of the budget like other departments. Similarly, this complicates the CAO's efforts to monitor the Sheriff's budget performance other than to track bottom line spending. Difficulty in monitoring is doubtless a contributing factor in the difficulties the Sheriff and CAO are experiencing in avoiding budget over-spending in the Sheriff's budget.

We continue to believe that the Sheriff and CAO need to revise the Sheriff's budget to more accurately reflect actual spending patterns. In the short-term, this can be accomplished by reallocating S&EB, S&S, and other Sheriff appropriations to reflect the expected spending patterns. In the long-term, in order to provide a more meaningful budget, there will need to be a more detailed analysis of spending that balances desirable service level needs with available funding.

Recommendations

- 1. In the short-term, Sheriff and CAO management revise the Sheriff's budget so that the component parts of the budget more accurately reflect actual spending patterns.**
- 2. In the long-term, the County perform a detailed analysis of the Sheriff's spending that balances desirable service level needs with available funding.**

Salary Savings

Background

Each fiscal year, the CAO works with departments to calculate their S&EB budgets. The gross S&EB budget is based on each department's total budgeted positions and maximum, top-step salary for each position, including any negotiated raises. The gross salary budget is then reduced generally based on the:

- Estimated portion of department employees who will not be receiving the top step salary (fifth-step variance factor).
- Estimated positions that will be unfilled during the year due to attrition, hiring delays and other factors (vacancy factor).
- Positions that will receive mid year raises (Weighted/maximum salary differential).

The total of these reductions to departments' S&EB budgets is called Salary Savings. Since estimated salary savings is deducted from departments' gross S&EB budgets, salary savings are not available for departments to fund S&EB expenditures.

A department's net S&EB budget (gross salaries minus salary savings) is the CAO and department's best estimate of the net cost of the expected number of filled positions. If a department's salary expenditures are less than expected (e.g., because of higher than expected vacancies), the department will under-spend its budget. However, if the department has higher than expected salary costs (e.g., fewer vacancies, filling more positions than budgeted or high overtime costs), the department will exceed its budget.

Sheriff's Budgeted Positions and Salary Savings

The Sheriff's salary savings as negotiated by the Sheriff and CAO for the past two years were as follows:

	Fiscal Year 2000-01	Fiscal Year 2001-02
Gross S&EB	\$ 1,249,018,833	\$1,371,252,822
Salary Savings	(97,709,833)	(103,058,822)
Net S&EB Budget	\$ 1,151,309,000	\$1,268,194,000

We noted that over the past four years approximately 950 positions were added to the Sheriff's budget. However, the Sheriff and CAO did not increase the Sheriff's S&EB budget for 540 of these positions and did not eliminate other positions that remained unfilled. The Sheriff and CAO accounted for this difference by increasing the Sheriff's salary savings. As a result, the Sheriff's budgeted positions do not represent an accurate estimate of positions the Sheriff expects to fill throughout the year, and therefore, the budget is a less effective management tool. The salary savings, rather than being a calculated amount based upon budgeted positions, is actually an adjustment to arrive at the negotiated net S&EB appropriation for the Sheriff. Therefore, the number of budgeted positions is a somewhat meaningless number.

To again make the budget a useful management tool, the County needs to adjust the Sheriff's budgeted positions to the level that can be funded using a reasonable, documented salary savings amount. Future adjustments to the number of budgeted positions should be accompanied by corresponding adjustments to the S&EB budget.

Recommendations**The County:**

- 3. Adjust the Sheriff's budgeted positions to the level that can be funded using a reasonable, documented salary savings amount.**
- 4. Ensure future adjustments to the number of budgeted positions are accompanied by corresponding adjustments to the S&EB budget.**

We would like to thank the staff and managers from the CAO and Sheriff's Department all of whom were very helpful during our review. If you have any questions regarding this report, please contact me or have your staff call DeWitt Roberts at (213) 974-0301.

JTM:DR:JS
Attachment

c: David E. Janssen, Chief Administrative Officer
Leroy D. Baca, Sheriff
Michael J. Henry, Director, Human Resources
Violet Varona-Lukens, Executive Officer
Audit Committee
Public Information Office

Sheriff's Department
FY 1993-94 to 2001-02
Net County Cost Summary

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	FY 2001-02 Projected by the Sheriff as of March 2002		
	ADJUSTED BUDGET	ACTUAL	OVER/(UNDER) BUDGET
Salaries & Employee Benefits	\$ 1,268,194,000	\$ 1,323,143,000	\$ 54,949,000
Services & Supplies	262,593,000	222,493,000	(40,100,000)
Other Charges	82,950,000	89,150,000	6,200,000
Fixed Assets	17,151,000	6,290,000	(10,861,000)
Other Financing Uses	544,000	544,000	-
Less: Intrafund Transfers	(5,261,000)	(5,261,000)	-
<i>Net Total</i>	1,626,171,000	1,636,359,000	10,188,000
Revenue	980,753,000	979,176,000	(1,577,000)
Projected Current 2001-02 NCC	\$ 645,418,000	\$ 657,183,000	\$ 11,765,000

	FY 2000-01		
	ADJUSTED BUDGET	ACTUAL	OVER/(UNDER) BUDGET
Salaries & Employee Benefits	1,154,998,000	1,240,249,908	\$ 85,251,908
Services & Supplies	243,800,000	221,979,398	\$ (21,820,602)
Other Charges	83,638,000	76,055,078	\$ (7,582,922)
Fixed Assets	13,827,000	9,203,952	\$ (4,623,048)
Other Financing Uses	514,000	514,000	\$ -
Less: Intrafund Transfers	(4,692,000)	(5,002,567)	\$ (310,567)
<i>Net Total</i>	1,492,085,000	1,542,999,769	50,914,769
Revenue	902,270,000	933,705,289	\$ 31,435,289
Current 2000-01 NCC	\$ 589,815,000	\$ 609,294,480	\$ 19,479,480
Net Cancelled Commitments, Prior Year	-	5,809,688	5,809,688
Revenue Accruals, and Credits	-	5,809,688	5,809,688
Total 2000-01 NCC	\$ 589,815,000	\$ 615,104,168	\$ 25,289,168

	FY 1999-2000		
	ADJUSTED BUDGET	ACTUAL	OVER/(UNDER) BUDGET
Salaries & Employee Benefits	1,097,706,000	1,125,550,417	\$ 27,844,417
Services & Supplies	228,054,000	207,840,167	\$ (20,213,833)
Other Charges	77,065,000	77,060,161	\$ (4,839)
Fixed Assets	17,106,000	10,821,831	\$ (6,284,169)
Other Financing Uses	417,000	416,502	\$ (498)
Less: Intrafund Transfers	(3,760,000)	(4,539,193)	\$ (779,193)
<i>Net Total</i>	1,416,588,000	1,417,149,885	561,885
Revenue	855,468,000	864,031,985	\$ 8,563,985
Current 1999-2000 NCC	\$ 561,120,000	\$ 553,117,900	\$ (8,002,100)
Net Cancelled Commitments and Prior Year Revenue Accruals	-	1,974,544	1,974,544
Total 1999-2000 NCC	\$ 561,120,000	\$ 555,092,444	\$ (6,027,556)

**Sheriff's Department
FY 1993-94 to 2001-02
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	FY 1998-99		
	ADJUSTED BUDGET	ACTUAL	OVER/(UNDER) BUDGET
Salaries & Employee Benefits	1,013,938,000	1,023,392,432	\$ 9,454,432
Services & Supplies	200,668,000	181,945,119	\$ (18,722,881)
Other Charges	85,536,000	74,189,366	\$ (11,346,634)
Fixed Assets	11,486,000	7,668,572	\$ (3,817,428)
Other Financing Uses	858,000	347,054	\$ (510,946)
Less: Intrafund Transfers	(3,450,000)	(4,721,902)	\$ (1,271,902)
<i>Net Total</i>	1,309,036,000	1,282,820,641	(26,215,359)
Revenue	830,610,000	795,089,432	\$ (35,520,568)
Current 1998-99 NCC	\$ 478,426,000	\$ 487,731,209	\$ 9,305,209
Net Cancelled Commitments and Prior Year Revenue Accruals	-	(11,007,007)	(11,007,007)
Total 1998-99 NCC	\$ 478,426,000	\$ 476,724,202	\$ (1,701,798)

	FY 1997-98		
	ADJUSTED BUDGET	ACTUAL	OVER/(UNDER) BUDGET
Salaries & Employee Benefits	907,728,000	912,900,370	\$ 5,172,370
Services & Supplies	180,921,000	167,496,298	\$ (13,424,702)
Other Charges	90,536,000	75,898,549	\$ (14,637,451)
Fixed Assets	6,473,000	5,646,685	\$ (826,315)
Other Financing Uses	399,000	398,117	\$ (883)
Less: Intrafund Transfers	(3,098,000)	(3,621,557)	\$ (523,557)
<i>Net Total</i>	1,182,959,000	1,158,718,462	(24,240,538)
Revenue	697,515,000	659,553,461	\$ (37,961,539)
Current 1997-98 NCC	\$ 485,444,000	\$ 499,165,001	\$ 13,721,001
Net Cancelled Commitments and Prior Year Revenue Accruals	-	(2,677,670)	(2,677,670)
Total 1997-98 NCC	\$ 485,444,000	\$ 496,487,331	\$ 11,043,331

	FY 1996-97		
	ADJUSTED BUDGET	ACTUAL	OVER/(UNDER) BUDGET
Salaries & Employee Benefits	852,835,000	837,318,855	\$ (15,516,145)
Services & Supplies	159,151,000	145,246,069	\$ (13,904,931)
Other Charges	90,563,000	79,434,362	\$ (11,128,638)
Fixed Assets	4,401,000	2,803,247	\$ (1,597,753)
Other Financing Uses	367,000	366,119	\$ (881)
Less: Intrafund Transfers	(27,410,000)	(28,149,063)	\$ (739,063)
<i>Net Total</i>	1,079,907,000	1,037,019,589	(42,887,411)
Revenue	602,098,000	570,449,903	\$ (31,648,097)
Current 1996-97 NCC	\$ 477,809,000	\$ 466,569,686	\$ (11,239,314)
Net Cancelled Commitments and Prior Year Revenue Accruals	-	3,689,786	3,689,786
Total 1996-97 NCC	\$ 477,809,000	\$ 470,259,472	\$ (7,549,528)

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	FY 1995-96		
	ADJUSTED BUDGET	ACTUAL	OVER/(UNDER) BUDGET
Salaries & Employee Benefits	855,861,000	862,169,654	\$ 6,308,654
Services & Supplies	162,254,000	145,839,252	\$ (16,414,748)
Other Charges	87,084,000	74,719,730	\$ (12,364,270)
Fixed Assets	1,534,000	1,506,610	\$ (27,390)
Other Financing Uses	341,000	340,107	\$ (893)
Less: Intrafund Transfers	(11,145,000)	(2,599,042)	\$ 8,545,958
<i>Net Total</i>	1,095,929,000	1,081,976,311	(13,952,689)
Revenue	547,710,000	543,346,170	\$ (4,363,830)
Current 1995-96 NCC	\$ 548,219,000	\$ 538,630,141	\$ (9,588,859)
Net Cancelled Commitments and Prior Year Revenue Accruals	-		-
Total 1995-96 NCC	\$ 548,219,000	\$ 538,630,141	\$ (9,588,859)

	FY 1994-95		
	ADJUSTED BUDGET	ACTUAL	OVER/(UNDER) BUDGET
Salaries & Employee Benefits	850,410,000	854,370,535	\$ 3,960,535
Services & Supplies	166,444,000	141,846,738	\$ (24,597,262)
Other Charges	101,709,000	77,810,176	\$ (23,898,824)
Fixed Assets	3,485,000	3,237,144	\$ (247,856)
Other Financing Uses	103,000	102,693	\$ (307)
Less: Intrafund Transfers	(7,929,000)	(4,723,745)	\$ 3,205,255
<i>Net Total</i>	1,114,222,000	1,072,643,541	(41,578,459)
Revenue	541,903,000	512,838,587	\$ (29,064,413)
Current 1994-95 NCC	\$ 572,319,000	\$ 559,804,954	\$ (12,514,046)
Net Cancelled Commitments and Prior Year Revenue Accruals	-		-
Total 1994-95 NCC	\$ 572,319,000	\$ 559,804,954	\$ (12,514,046)

	FY 1993-94		
	ADJUSTED BUDGET	ACTUAL	OVER/(UNDER) BUDGET
Salaries & Employee Benefits	782,334,000	781,996,843	\$ (337,157)
Services & Supplies	160,800,000	147,244,234	\$ (13,555,766)
Other Charges	118,778,000	102,299,330	\$ (16,478,670)
Fixed Assets	2,010,000	1,749,910	\$ (260,090)
Other Financing Uses	35,000	35,000	\$ -
Less: Intrafund Transfers	(4,866,000)	(16,769,183)	\$ (11,903,183)
<i>Net Total</i>	1,059,091,000	1,016,556,134	(42,534,866)
Revenue	578,301,000	546,552,202	\$ (31,748,798)
Current 1993-94 NCC	\$ 480,790,000	\$ 470,003,932	\$ (10,786,068)
Net Cancelled Commitments and Prior Year Revenue Accruals	-		-
Total 1993-94 NCC	\$ 480,790,000	\$ 470,003,932	\$ (10,786,068)